



INTELLECTUAL PROPERTY THEORY

INTENSIVE

2000

PROF. WENDY J. GORDON

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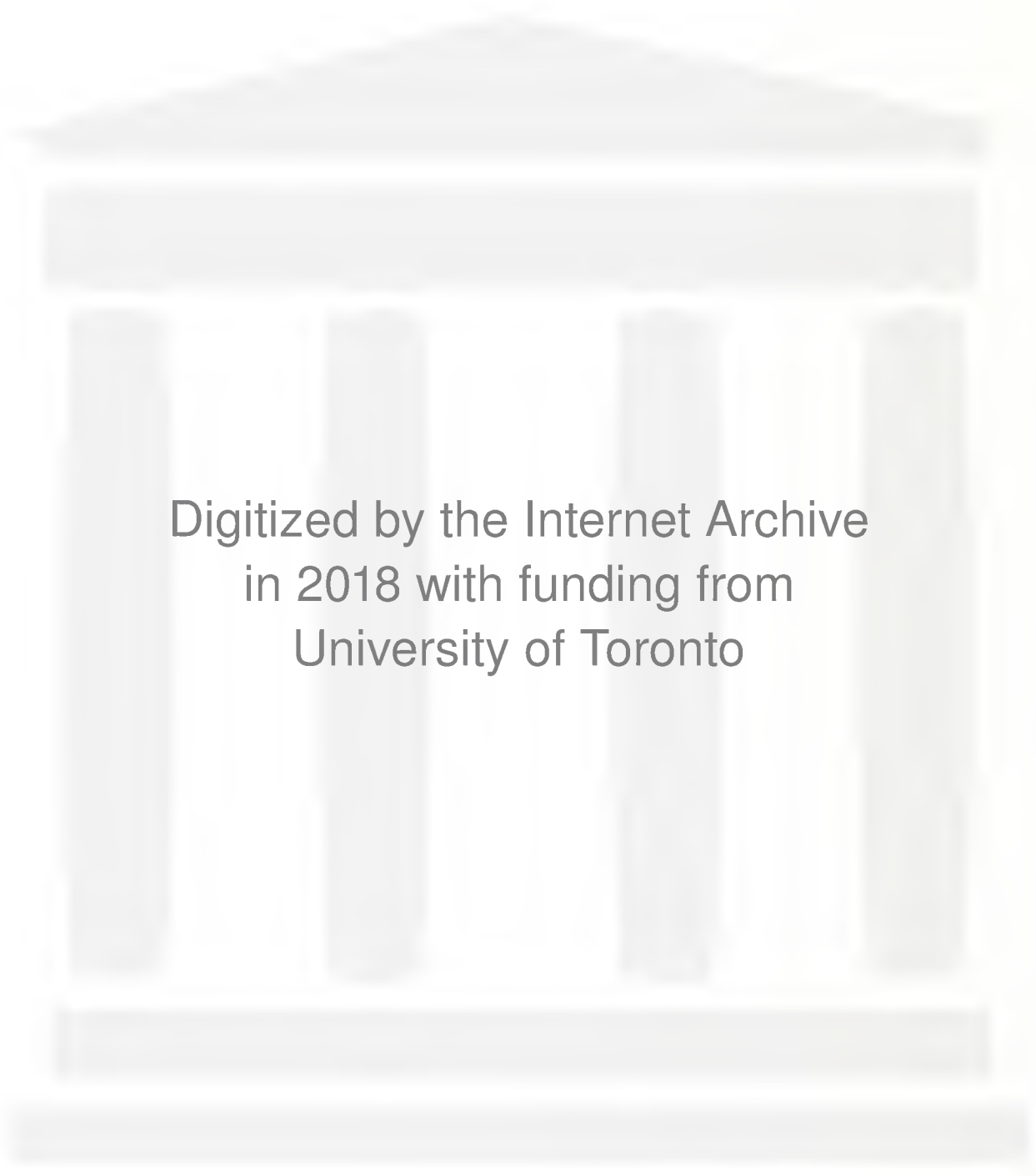
UNIVERSITY OF TORONTO

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Intensive in Intellectual Property Theory
University of Toronto
Fall, 2000

SYLLABUS

Prof. Wendy J. Gordon

I expect my office number to be 3018.

Email is wgordon@bu.edu

Office hours will be announced in class. In addition, feel free to stop by any afternoon.

Our class will be meeting:

	From	To	
Monday, September 25	10:00	12:00	FA2
Tuesday, September 26	12:10	2:00	FA2
Wednesday, September 27	5:50	8:00	FA2
Monday, October 2	5:00	6:30	BLH Warren Lecture
Tuesday, October 3	4:10	6:00	FA2
Wednesday, October 4	5:50	8:00	FA2
Thursday, October 5	4:10	6:00	FA2
Friday, October 6	9:00	11:00	FA2

ASSIGNMENTS FOR FIRST WEEK

For Monday, September 25: Read the Overview and consider the questions it raises. In addition, read pages 1343-78 of the article, An Inquiry into the Merits of Copyright, and take a look at the Hohfeldian lexicon (one page). All of these are in your photocopied materials.

For Tuesday, September 26: Prepare the Copyright Exercise. That will require you to read portions of various sections indicated within the exercise. In addition, for purposes of further class discussion, please read 17 U.S. Code sections 101-109, 113-115, 117, 201-204, 301-304, 501-506, and section 1201. It is not necessary that you memorize the Code sections, but do try to understand them prior to class.

For Wednesday, September 27: (a) Read the misappropriation cases in your photocopy materials: *International News Service v Associated Press*, and *Board of Trade of City of Chicago v Dow Jones*; and (b) read Of Harms and Benefits, an article also in your

photocopy packets.

There is no reading required for Monday, October 2, but you should attend the Lecture.

For Tuesday, October 3: Read the essay, A New Introduction to the Economic Analysis of Intellectual Property Rights, in your photocopied materials. Apply it to the *INS v AP* and *Board of Trade* cases that you read for the last class.

The content of the October 4 and 5 classes will in part depend on student interests as expressed during the first week of classes. Probable coverage will include:

‘Lockean Theories of Labor Desert as applied to IPRs’, and

‘Commodification Issues Within IP: Ownership, Moral Rights, and Fair Uses’.

Intensive in Intellectual Property Theory

Professor WJ Gordon

University of Toronto Faculty of Law- Fall Term, 2000

Overview

This material contains a substantive overview of intellectual property's many doctrinal categories. Please read it before you come to the Seminar's first class, and consider the issues it raises. Please email me when you are done, letting me know something about your interests and background as well. Please use my Boston University email address wgordon@bu.edu I expect to be able to access it from UT. I look forward to meeting you.

Products of the intellect include a wide range of things: from the sequencing of computer instructions and musical sounds to the configuration of boat hulls and baubles, as well as the familiar books, inventions, and trademarks. Some intellectual products are protected in law by rights that resemble "property", meaning that the claimant has some prima facie rights good against the world. Some intellectual products are protected by rights in "unfair competition". The latter are contingent entitlements whose enforcement is highly dependent on circumstances. For convenience, the rubric "intellectual property" is often used to embrace them all.

In efforts to describe what all intellectual products have in common, both lawyers and economists often describe them as "intangibles." For our first meeting, think about whether that characterization is apt, and what other characterizations you might offer.

From one perspective, what unites the field of intellectual property law is the desire of someone to control a flow of benefits that might not be easily captured through conventional rules of property, tort, restitution and contract. Such a person seeks the aid of intellectual property rights (IPRs) to give her the control she desires. Ordinarily she will turn either to federal statutes, which in the United States are the primary sources for patent and copyright law, or to the state courts, which in the United States are the primary fonts for the right of publicity and the tort of misappropriation. (Unless otherwise stated, I will be addressing US law.) Some IPRs are founded in a mix of sources, federal and state, legislative and judicial.

Copyright, patent and trademark law are the three main areas of IP. It will be useful to highlight some of the similarities and differences among them, and to mention some of the other areas where IPRs appear.

COPYRIGHT in the U.S. subsists in any work of original authorship once the work is fixed in a tangible medium of expression. When you write a letter or take a photograph or make a record of your band playing the Star Spangled Banner, you have a

copyright. Some creative efforts do not result in a copyright. For example, ideas are not copyrightable, short words or phrases are too trivial to be “works of authorship,” and attractive functional designs (lamp bases, patterns on fabric) are copyrightable only if their ornamental and functional components are “separable”. [Why might that be?] You do not need to register your copyright until (and if) you want to sue someone. Registration is fairly easy to obtain, and cheap. If you are interested in the registration process, take a look at <http://www.loc.gov/copyright/reg.html>

Registration is not conclusive. A copyright defendant can sometimes successfully challenge the copyright’s validity on grounds such as lack of originality. In addition, a number of formalities were once required pre-requisites to copyright. In particular, prior to March 1, 1989, all published works had to bear a copyright notice. Even today, a defendant can defeat a copyright suit by proving that the plaintiff’s work was publicly distributed without notice before March, 1989.

Most copyrights last for the life of the author plus seventy years. After that time, the entire public shares the liberty to use the copyrighted work. [Why not make private ownership of copyright perpetual?]

During the “copyright term” (that is, the period during which a copyright is still valid), the copyright owner can obtain damages from, and enjoin, anyone who violates one or more of her exclusive rights. The federal copyright act gives different rights to different kinds of works. For example, “musical works” (compositions) are a kind of subject matter that has more rights than do “sound recordings” (the sounds produced by singer and orchestra.) Most copyright owners have exclusive rights over reproduction, public performance, public display, distribution, and the making of derivative works. In all cases, the plaintiff will have to prove that the defendant copied a substantial portion of the copyrighted material. That is, copyright is only valid against those who “free ride”, and not against fully independent creators. [Does that seem correct? Practicable?] It is not an infringement to make a “fair uses” of copyrighted material, and what constitutes a “fair use” is much debated. Some courts have also recognized a “misuse” defense.

Copyrights can be bought, sold, licensed, subdivided, and inherited. However, when an author sells the copyright in a work she has produced, in any context other than “work for hire”, the law gives that author and her family an inalienable right to terminate the grant after roughly thirty-five years. If the right of termination is exercised, the author or her family recaptures the rights and can sell them again. [Why might the law do this? What are the arguments for and against such an inalienable strand in the ownership package?]

Title 17 of the U.S. Code contain the bulk of the federal copyright provisions, beginning at section 101. The federal Copyright Act is enacted pursuant to a specific grant of power in the Constitution: “The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”. U.S. Const. art. I, § 8, cl. 1, 8.

Federal law will *pre-empt* state attempts to give subject matters covered by the federal copyright statute rights equivalent to what the federal copyright statute grants. 17 U.S.C. section 301. Thus, for example, pre-emption would invalidate a state law that tried to give the books written by resident authors a perpetual right against copying. In addition, you should keep in mind the general principle that any state law that conflicts with federal objectives is pre-empted.

States can have copyright law, but only for “non-fixed” works, such as a song you have composed in your mind and sung, but never written down or recorded. This is because “non-fixed” works are clearly outside the subject matter of the federal statute, and Congress has expressed no position on non-fixed works.

PATENTS are granted only to inventions that are new, non-obvious, and useful. There is another category, “design patents”, intended for items that are ornamental rather than useful. “Plant patents” also exist. Most attention however is given to “utility patents” as the most economically significant category. When we use the term “patent”, we will generally be referring to utility patents.

To obtain a patent, it is not enough to have a breakthrough. No matter how meritorious your invention might be, you cannot obtain a patent unless you apply for one. The potential patentee must file an application within a year of public use, publication, foreign patent, or placing the invention on sale.

The application process is costly, cumbersome, and lengthy. Many applications are denied, usually on the ground that the proffered inventions are not “novel” or do not constitute a “non-obvious” advance over the prior art. Even if the Patent and Trademark Office grants the patent, a court can later invalidate it.

Drafting patent claims is a demanding skill. If the patent issues, the claims are made public and they give the public notice of the patent's boundaries. In interpreting the patent later, courts can refer back to events that happened during the process of application (or “prosecution”). For example, a patent examiner might tell an applicant that her claims are so broad that they improperly attempt to grab territory already known to the prior art. In response, trying to save her patent, the applicant might amend her wording to narrow the claims. This prosecution history will estop the applicant from later arguing that under the “doctrine of equivalents” she should be entitled to rights over someone whose invention exploits the possibilities so given up. Thus, even if a patent successfully issues, the application process can be crucial.

If the government issues you a patent, in most cases it is valid for 20 years from the application date. After that time, the entire public shares a liberty to use the patented invention.

During the period that a patent is valid, the patent owner can obtain damages from, and enjoin, anyone who makes or sells an invention that “reads on” the patent claims. Also vulnerable in suit are products deemed “equivalent” to the patented product. It does not

matter whether the identity between the patented and accused items results from copying or from coincidence. An inventor who *independently* makes a product that duplicates the patented product is nevertheless an infringer. [Why might that be? Is the rule a fair one?]

Patents can embrace processes as well as products. A major element of debate is the nature of the subject matters that can be patented. For example, the Court of Appeals for the Federal Circuit has recently held that even “business methods” can be patentable. General laws of nature are not patentable.

Often a company takes out patents for the sake of using them defensively in the event the company is itself sued for patent infringement. Some industry participants cooperate in “patent pools”. Patents can be sold, licensed, and inherited. A plaintiff’s “misuse” of his patent is a defense to patent infringement, and the nature of misuse is much debated.

Like copyright, federal patent law is authorized by the Constitutional provision quoted above. The core patent provisions can be found at 35 U.S.C. section 101 *et seq.* Federal patent law *pre-empts* any state law that attempts to enter its field. The nature of this pre-emption is the subject of much caselaw and discussion. The Supreme Court has held that state trade secret laws are not pre-empted.

The home page for the U.S. Patent and Trademark Office is <http://www.uspto.gov/>

TRADEMARKS resemble copyrights in that no registration is pre-requisite for validity. Also, the law of trademark like copyright deals with communicative activity. However, there most of the resemblance ends. Unlike copyrighted works, a trademark need not be a full “work of authorship” and need not be original. Therefore, trademark status is available for short words and phrases and trivial graphics. All a trademark need do is identify a product, service, or company to the public. Sometimes when a word or symbol appears on a package, its source-identifying nature is obvious because it is inherently distinctive. Fanciful words such as “Kodak” are clearly there to serve a source-identifying function. But this is not always the case.

If a word or phrase is descriptive of the product to which it is attached (consider “Best Line” toiletries or “Big Red” fire-trucks), the word or phrase may be understood by the public as merely a piece of information regarding a products’ quality or other characteristics. Therefore, descriptive words and symbols attain trademark status only after the public comes to understand the mark as indicating the source of the product. At that stage, a descriptive mark is said to have acquired “secondary meaning.” [[Is that a good rule? Should “secondary meaning” be required for all trademarks, or just descriptive ones?] Trademark proprietors can usually succeed in lawsuits only by showing that the defendant’s use of the mark is likely to cause confusion in the marketplace.

Recently there has been an additional federal cause of action available to “famous” marks. Under the new federal “anti-dilution” statute, owners of famous marks can sue

for unauthorized uses that “dilute” the strength of the marks. Some states also provide anti-dilution relief.

Trademarks typically are words or symbols attached to goods. Often the phrase “trademark law” also is used to embrace the following related categories: “trade dress” (which is the term for distinctive packaging or product design); “service marks” (which are applied to services); and “trade names” (referring to companies). In all these instances the marks, names or designs primarily serve to identify the item’s source to the public, and similar but not identical legal principles apply.

Trademarks can last as long as they retain their source-identifying function, which can be forever. If they lose their source-identifying function, all exclusivity is lost. This happens, for example, when a mark becomes “generic”. “Aspirin”, “cellophane”, “brassiere,” and “escalator” used to be trademarks and are now generic. [What problems would occur if the companies who originated these terms were still able to claim trademark rights in them?]

Suit in trademark law can be brought even if there is no copying. [Is that a good idea? Should copying make *any* difference?] As mentioned, the essential test for infringement is whether the accused use causes confusion. [Could a trademark owner successfully sue a novelist who used the trademark as part of his character’s dialogue?]

Trademarks can be sold, licensed, inherited, and so on, so long as they are not separated from the goodwill they represent. The latter is an important qualification. To sell or license a trademark without an accompanying business, or at least a set of quality-control requirements, can invalidate the trademark. [Why?]

Trademarks are protected both by federal and state law. The federal law, called the “Lanham Act”, is based on the Commerce Clause of the Constitution. Therefore, unlike patent and copyright, federal jurisdiction over trademarks is limited to interstate commerce. (See the definitions at 15 U.S.C. section 1127.) Even as to interstate commerce, federal and state rights generally co-exist. Nevertheless, federal registration gives additional and valuable legal leverage. For more preliminary information about trademarks highlighting the Federal registration process in the U.S., see http://www.uspto.gov/web/offices/tac/doc/basic/basic_facts.html

Many practical and legal dilemmas arise out of the awkward intersection between trademarks and internet domain names. In the “real world”, a hundred different enterprises can utilize the same or similar word as their trademark. So long as there is no confusion, there is no lawsuit, and there may be a large amount of concurrent use. For example, the purchaser of an Apple record has no illusion that it comes from the same source that makes Apple computers. The purchaser of an Apple computer is similarly free of any belief that his computer comes from the record company. Therefore both the record company and the computer company can have trademark rights in the word “Apple.” However, the “virtual world” of the Internet is not quite so flexible. There are

very few high-level domains, such as “.com”, “.edu” and “.org”. There can be only one “Apple.com.”

RIGHTS OF PUBLICITY are granted by many but not all states in the United States. A federal right of publicity statute has been considered, but not passed. The existing state statutes vary among themselves. Typically, a celebrity who possesses a right of publicity can sue anyone who uses the celebrity’s name or likeness in a commercial fashion. The First Amendment raises intriguing questions in this context, and much controversy centers on whether a right of publicity should survive beyond the death of the famous person. In addition to covering name and likeness, the label “right of publicity” is sometimes given to someone’s claim of right over a performance. The most famous such case involved a circus performer who made his living by being shot out of a cannon. He used Ohio law to sue a television station whose news program broadcast his entire act. The performer won a monetary recovery under a “right of publicity” rubric. His cause of action might equally have been described as state or “common law” copyright. The performer had never authorized his performance to be taped or otherwise “fixed”. Otherwise, federal copyright law would have pre-empted his state cause of action.

MISAPPROPRIATION is an unfair competition cause of action recognized by some but not all states. Typically, the plaintiff must show that he made a substantial investment in creating an intangible product, that the defendant substantially appropriated it, and that the plaintiff and defendant are in competition. Sometimes the gravamen of the tort is described as “reaping where one has not sown.” The most famous case was *International News Service v Associated Press*, in 1918. There the Supreme Court enjoined a news service from copying the news gathered and published by another service and its affiliated newspapers. More recently, the Dow Jones company successfully used the tort to enjoin the Chicago Board of Trade from marketing an investment product whose price was tied to the Dow Jones Average. The tort is controversial in many ways. For example, courts disagree on whether competition between the parties should be a pre-requisite to suit. More generally, the tort of misappropriation often treads on the toes of copyright or patent (courting pre-emption), and its lack of clear boundaries poses great difficulties.

TRADE SECRETS are based in state law. Essentially, if someone has commercially valuable information and makes an effort to keep it secret, and it *is* secret, the state will assist that entity in preserving the secrecy against improper behavior. For example, imagine that third parties bribe the employee of a soft-drink company to give them the company’s secret recipe. The company can use trade secret law to stop the third parties from profiting. As noted above, trade secrets are currently not pre-empted by patent law. Trade secrecy is in some ways broader than patent law; an invention too obvious for patenting can be a trade secret, as can be something as mundane as a list of customers. However, trade secrecy has many limits. Most importantly, it is lawful for third parties to reverse-engineer any non-patented product to discover and use its secrets.

MORAL RIGHTS are recognized by several European countries, and are included in the most significant international copyright treaty, the Berne Convention. Typically, moral rights stay with the author even after copyright is sold. The most significant moral rights are the “right of paternity” that allows the author to control who is named as the author of her work, and a “right of integrity” that allows the author to forbid distortions of her work. In the United States, some equivalent rights exist within copyright, trademark, and unfair competition law, and contract law allows artists the ability to retain equivalent rights if they negotiate for them. However, despite the United States having signed the Berne Convention, concerns with both Free Speech and commercial practicality have kept us from wholesale adoption of the Moral Rights approach. In addition, states’ abilities to be activist in this area are limited by pre-emption.

ADDITIONAL TOPICS include, *inter alia*, the debate over whether other nations should follow the European Union’s lead in adopting a data protection statute; cyber-squatting; connections between domestic law and international treaty; the question of whether special status should be given to developing countries to allow them to develop their economies and technology; and the possible need to develop new tribunals or other administrative fora capable of reacting to radical and quick changes in technology. To the extent possible I shall try to follow the direction of class interest.

* * *

Theorists of intellectual property usually focus on potential justifications for the law's granting exclusive rights in intangibles. The most frequently discussed justifications for copyright and patent fall into two groups: (1) providing incentives, with arguments commonly based either in economics or utilitarianism, and (2) providing just deserts, with arguments commonly based either on notions of unjust enrichment or on Lockean property rights. A third kind of argument stresses an artist or inventor’s personal ties with what he or she had produced. Over the last two decades, the power of IPR proprietors has drastically expanded. It is important, therefore, also to analyze the points at which the justifications for IPRs stop being effective or relevant. It is also important to identify independent reasons that may exist for placing limits on IPRs. Some of the latter rest on the rights or interests of the audience, or of the public generally.

The issue of limits is vital. We already know that the law of torts and eminent domain must be narrower than a command to “pay for all the harms you cause”. If this were not the case, tort law would have no limits such as “proximate cause” and “duty”. Similarly, if the rule were “pay for all the harms you cause”, the law of eminent domain would not limit its requirement of compensation to instances where the government has “taken” “property”. Correspondingly, the law of intellectual property must be narrower than an entitlement to “receive payment for all the benefits you generate”.

After all, if we tried to give incentives to authors and inventors by eliminating all free riding, society would grind to a stop. Education, progress and community all depend on

our sometimes being able to "reap without sowing", just as being members of a community requires us to tolerate some uncompensated mistakes and harms.

By definition, an IPR is a legal right that requires non-proprietors to refrain from copying an owned work, or to undertake some other obligation in regard to that work. Such duties should not be imposed without good reason.

Depending on student interest, we may also extend in-class consideration to issues beyond pure IPRs. Other sorts of controls, such as "shrink-wrap" contracts, "click-through" contracts, and technological self-help, can also affect how intellectual products are distributed.

REMINDER: Please email me at wgordon@bu.edu when you have read this. Please tell me a bit about your background and interests as related to IP. For example: Are you a musician? A former scientist? Someone aiming at an IP practice, or merely curious about the area? Is it the cultural side of IP that interests you the most, or the science/industrial side? And so on. Please let me know what questions, if any, you would particularly like the class to investigate.

I look forward to seeing you on Thursday.

--WJG

